G. R. S. IX-5]

Previous references. 1897 ~~191~~ . (S. R.)

Later references.

File No 88—1897

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(35)

GENERAL AND REVENUE SECRETARIAT.

Dept. & Centre

~~*Serial Nos.*~~

Major Part B for September 1897

SUBJECT.

Manufacture of Arrack.

Indexed C&

W D 88—GPB—50,000—24-7-16

equivalent to 106 gallons of 20° U. P. arrack, for less than it costs them to get sufficient raw material to the State distillery, ~~sufficient~~ to make 35 gallons of liquor of the same strength. Firewood and other charges are much higher in Mysore than at Ranipet.

If this arrangement could be effected the whole of the transport charges would be saved, and by withdrawing from the share of the Darbar's supervising establishment, the guarding establishment at the depot might be placed on a more economical footing, pending its final abolition in 1902.

Alternative system of supply.

11. If however Messrs. Parry and Co., adhere to the existing contract, the distribution of liquor to the Station could be arranged by inviting applications for wholesale depots, and making the retail shops free to obtain their liquor either from the depots or direct from the distillery.

The duty which is now paid to the bonded warehouse keeper might be paid direct into the Residents treasury by the depot keepers, or the shop keepers, and the liquor would be issued from the distillery on the production of the treasury receipt.

This might at first cause a slight diminution in vend rents but not to the extent of Rs. 2,558, the present cost of transport, but the loss, if any, would be made good in the following year.

Minimum retail price.

12. The minimum retail price should be placed at Rs. 6—6—0 per gallon to prevent controversy with the Darbar, but the retail vendors might be safely left to themselves not to place the price so high as to divert the trade to the pettah. There is little, if any, danger smuggling from the City as the retail licenses already provide for consumption on the premises only.

The opinion obtains among Abkari experts that an increase of 2 pies per dram would not divert the trade.

Even if this arrangement could not be effected, the existing expensive contract system of transport should cease with the current lease.

Contract transport system expensive.

13. The average daily consumption is 20 casks, which are obtained from the distillery at a cost of Rs. 6—14—0, for which the Station revenue pays Rs. 31—4—0. It is true that the contractor pays the rent of the buildings and collects the revenue besides supervising issues, but there is no reason why he should be paid for this when there is the Resident's treasury officer and the guarding establishment, there remains only the rent of the building and the cost of cartage. The first could be easily arranged and a contract entered into for the transport of 20 casks per diem, more or less, or if liquor of high strength were brought and diluted to issue strength in the depot, the cost of cartage could be much reduced, e. g. 50 gallons of 40° O. P. is equivalent to 90 gallons of 20° U. P. and the cost would not be any more. I am fully convinced, from enquiries made in the place, that the present contractor for the transport would be prepared to place liquor in the market at the same price now obtaining, provided that he was permitted to import it under bond from the Ranipet or Nellikuppam distilleries at the highest strengths, and dilute it to issue strengths in the bonded depot, and on some such terms Messrs. Parry & Co., would consent to our withdrawal from the manufacturing contract.

Estimated savings by effecting change.

14. The following statement shows the estimated revenue from arrack for the current year and the charges under the existing system. The charges under total or absolute withdrawal from the Darbar are also shown :—

	Rs.	Existing charges.	Rs.	Total withdrawal.	Rs.	Partial.	Rs.
Still head duty of consumption in Station ...	3,88,816	Share of D. C.'s pay.	1,368	Depot	528	Depot ...	528
Incanteens ...	2,118	,, distillery ...	869			*Supervision.	5,726
Shop rents ...	45,640	,, office ...	1,487	Supervision	5,726	Distillery ...	869
Municipal fees ...	41,424	,, supervision ...	3,276				
		Transport charges...	2,558				
Total.....	4,77,998		9,558		6,254		7,123

* 82% or proportionate charge of total charges against excise, the balance being divided to toddy 4% beer 10% Foreign liquor and drugs 4%.

THE RESIDENCY
MYSORE

SR 38-187

Bobbesamudra -
May 24. 1898

My dear Sri. Sheshadri Iyer.

Will you oblige me by looking through the enclosed memo & favouring me with any remarks that occur to you. I know that you have devoted special attention to specific questions & your criticisms would be valuable - If you will kindly favour me with them I will accept them informally & not as committing the Darbar in any way - I should like to send the letter - soon as possible as some of the points are urgent - It is perhaps hardly necessary for me to say that I have no

intention of incorporating any changes which is at all likely

to embarrass your Admiralty arrangements in the Pacific -

Preliminary Memo on Excise Administration in Civil and Military Station of Bangalore.

Prior to the year 1838—39 the abkari revenue, formerly known "Panjah," was derived from arrack, toddy, ganja, betel leaf and tobacco. Opium was included under customs. In 1838—39 betel leaf was transferred to customs and tobacco followed in 1850—51.

Up to the year 1862 the manufacture of toddy, arrack, and ganja was *under the direct management of Government*, but in that year the revenue was farmed, as a temporary measure, prior to the contemplated introduction of the sadar distillery system, which system was carried fully into effect in 1865—66.

Sadar Distillery system.

This system provided for the erection of large enclosures at places deemed necessary, in which all country spirits consumed in the district had to be manufactured. Any person might erect a still at his own expense and remove the liquor himself, or sell it to licensed vendors, on the sole condition that the excise duty was paid and the liquor reduced to authorised strengths. The State had nothing to do with the manufacture or price at which the produce was sold, but only took precautions that no liquor was removed on which the duty had not been paid. *The arrack shops were sold by public auction.* The manufacture and sale of toddy and ganja was farmed to the highest bidder in leases varying from one to five years, the difference in usage being due to the varying opinions of the Commissioners of different districts. The State interested itself in the manufacture of toddy so far as to order "date reserves" to be planted on waste lands, in order to guard against the "possible inconvenience of a general destruction of date trees on the kandayam lands by the ryots." Trees growing on waste, Government or ryotwari land, whether occupied or unoccupied, were considered at the disposal of Government for abkari purposes, but on inam and kayamgutta lands, the trees were the property of the landowners.

Date reserves established.

Beer excised.

2. In the year 1873—74, beer was excised with a duty of 2 annas per gallon, the fees on arrack shops in the Town and Cantonment were transferred to the municipality.

Issue strength of arrack fixed at 19° U. P.

In 1874—75 the duty on arrack was raised, and the strength of liquor to be issued fixed at 19° U. P. uniformly, instead of the low and varied rates of still head duty. Three sadar distilleries were closed and their place supplied by wholesale shops or depots. In 1875—76 the sadar distillery system continued throughout the Province except in the District of Mysore, where "a special arrangement was introduced under which the Palhalli Sugar Co., contracted to manufacture at 20° U. P. and sell to Government at 13 annas per gallon." Three more sadar distilleries were closed, and the duty on beer was raised to 4 annas per gallon.

Introduction of present system.

In 1877—78 the sadar distillery system was discontinued in the Nundydroog Division and the "Improved Excise System" introduced, and this is the system now obtaining, which was extended to the whole State in 1884—85.

In paragraph 15 of the note dated 1st March 1884, Mr. Lyall refers to the Government Distillery as the Sadar Distillery. Documents from the Darbar refer to it as the Government Distillery.

Arrack.

3. At the time of the rendition in 1881, the Darbar undertook to supply the Civil and Military Station with arrack on the same terms as it was able to obtain liquor for the State, provided that the cost of supervision was shared in proportion to the consumption, and this arrangement was sanctioned by the Government of India in Foreign Department letter No. 1144 I, dated 13th April 1885.

The contract at that time included the privilege of manufacture and 'wholesale vend,' but in 1892, when the contract was renewed, it was confined to the privilege of manufacture only. It will thus be seen that the liquor trade has developed its present condition from a State monopoly, and that no "vested interests," or other similar claims, can be made by any person engaged in the trade.

Existing system of manufacture.

4. The system of manufacture now existing is described in paragraph 4 of the Resident's letter No. 180, dated 9th May 1897, which I quote here for facility of reference.

> "The Darbar maintain and control a large central distillery which is situated at a distance of about four miles beyond the limits of the Civil and Military Station. They dispose, with the concurrence of the Resident, so far as concerns the requirements of the tract he administers, of the monopoly of manufacture within the Mysore State for a term of years, to the lowest approved tenderer, who engages to supply as much arrack of the strength of 20° U. P. as may be required for Mysore generally, including the Civil and Military Station, at certain rate per gallon."

Existing system of supply.

This provides for manufacture only and it is left to the State to place the liquor within reach of the vendor. I again quote from the Resident's letter.

> "All liquor required for consumption in the Civil and Military Station is taken by a contractor, corresponding to a wholesale vendor, who receives 6 pies per gallon for this service, to a bonded warehouse which is maintained under license and is situated within our limits. From this warehouse the retail vendors draw the supplies they require, paying the price of the liquor and the duty."

This is a curious combination of the "contract supply system" and State monopoly, the State being practically the wholesale vendor, as the transport charges are met from the duty and form an item of charges against the gross excise revenue.

The contract supply system, as it is known in Madras, is not only suitable, but necessary, in tracts not easy of access, newly placed under excise, as opposed to the renting system, where the demand for the excised liquor is small and the facilities for manufacture or the introduction of illicit liquor correspondingly great, but it is a comparatively backward system of administration, and does not permit of the revenue being fully developed, apart from the fact that it is opposed to the accepted policy of excise administration, in that, the Government should not consistent with public convenience, interfere in any way with the supply and demand beyond restrictions imposed by taxation.

Unsuitable to Civil and Military Station.

Private supply recommended.

5. The system is suitable to the rural tracts of Mysore but not to the City, or to the Civil and Military Station, where the demand is great and where it might be met by the "private supply system".

Under this system the supply of liquor is left to private enterprise and the distribution provided for by the issue of a reasonable number of wholesale depot licenses, for a nominal fee, where sale to retail vendors only, and in such quantities as to ensure against the depot being converted into a retail shop, is permitted. Liquor may also be imported and stored under bond, and the duty collected on issue, provided that the merchant maintains a suitable building and plant, and pays for the necessary guarding establishment. Otherwise the duty is collected on issue from the distillery.

As applied to the Civil and Military Station the existing system is backward and costly, and the only object attained is the uniformity in the City and Station, and if this principle is adhered to, then so long as the Darbar declines to advance, the administration of the Civil and Military Station must remain in the same condition.

Different systems not necessarily rivals.

6. The Resident states in paragraph 3 of his letter that "two rival systems side by side * * * would be highly inconvenient." It is not necessary that the two systems should be rivals; so long as the retail price is the same the public will not care what the system is; in the one, the system of supply and distribution is costly, and in the other it is the reverse.

7.36

Incidence of consn.

15. In Bangalore the average consumption per head of the population has fallen from 1·05 gallons of 20 u. p. to ·81 gallons, due to the enhancement of the duty, but the consumption is still far too high, being over four times the average of the large towns in Southern India, except Ootacamund, in which place it is difficult to calculate the incidence accurately as the census was taken in February when the population is very small.

Madras	...	·14
Nilgiris	...	·35
Trichy	...	·09
Bangalore	...	·81

The retail price Rs. 6—6—0 is lower than the price obtaining in the large towns of the Madras Presidency where it varies from Rs. 6—7—0 to Rs. 7—8—0.

The average unit of the drinking population in Bangalore is far better off than in any other town in Southern India, and the retail price might well be allowed to raise itself to Rs *7—0—0 per gallon, and this would give an increase of about Rs. 40,000 in rentals, or in rentals and duty combined, if the still head duty was raised to the full tariff rate.

*2·3 per dram of 1/51 gallon.

Existing Supervision.

16. The foregoing has been confined to remarks on the system only, and nothing has been said about the efficiency of the supervising establishment beyond that it is susceptible of improvement.

I find from a visit to the distillery and to the depot that the supervision is practically confined to the check of accounts only and the opportunities for leakage of revenue are very great.

Appears to be on wrong principle.

At the distillery the supervision appears to be on the principle that the liquor is the propety of the contractor and that it is in his interests that he should not permit any to pass out, but it is apparently not considered that for every gallon lost the contractor suffers to the extent of 6 annas only while the revenue sustains a loss of Rs. 4-12-0, and proportionately more for liquor above 20° U. P. The vats are all unlocked and the bottling of flavored spirits is not supervised to anything like the extent deemed necessary in England or in the Madras Presidency. The stock taking appears to consist of checking the stock with the accounts, without paying any regard to wastage, under which heading all shortage of stock is placed, and there appears to be no fixed limit of wastage.

The liquor is issued by weight, a good Avery machine being in use, but it has not been tested for many months, if not years, and as far as I can understand the quantity entered on the permit (ascertained by weighment) is accepted by the supervising staff in the Station as correct, no gauge or proof being considered necessary. The bonded depot is absolutely without control, beyond the supervision of accounts, and provided that the contractor accounts for the quantity said to be issued from the distillery, he satisfies all requirements.

Opportunities for loss of revenue.

17. By way of example, a cask containing 50 gallons is issued from the distillery at 19·4° U. P. which is about the strength at which it is generally issued and this is retailed to the shopkeepers at 20·6° U. P., the difference is ·8 of a gallon or 1·6%. If however the liquor is really a little higher than the strength noted the difference is further enhanced. I have discussed the point very carefully and from actual experiments and tests, the leakage on this account alone is not less than 1%, representing nearly Rs. 4,000 a year and I have little doubt that it might be placed at double that amount, a former colleague of mine puts it even above that figure. The liquor trade cannot be controlled by accounts alone which is practically all that the present system amounts to.

Large loss by personal error alone probable.

On the occasion of my visit to the distillery one of the Darbar's Excise Officers informed me that there was a great loss in the strength of the spirit from the time it left the distillery to the time it was issued for consumption. It is quite possible that by personal error alone there may be a difference of nearly one per cent, but in the present case there are no means of controlling any gain to the contractor, and consequent loss to the revenue that may accrue in this manner, and where such a want of supervision exists it is quite possible, and very probable, that care is taken that the error shall always be in the one direction.

The analyses of beer show that systematic adulteration with alcohol prevails, but as it would not pay the tavern keepers to adulterate with arrack obtained from the retail arrack shops, it can be only contraband arrack that is used and it must be obtained from a leak somewhere.

Evidence of the existence of illicit alcohol.

18. It is considered absolutely necessary both in England and Madras that all liquor on which duty has not been paid should invariably be under seal, lock and key, or the immediate and constant supervision of the Excise authorities, and that no transaction with such liquor should take place except under the conditions given above.

Supervision of depot extends to accounts only.

In the Bangalore depot the supervision extends to the accounts only and the "personal error" can be considerably increased without detection, it is a noteworthy fact that while there is little or no wastage there is never by any chance an excess, however small.

Stringent supervision necessary in a bonded depot.

The depot should be placed under proper control and supervision without delay, no liquor should be issued therefrom except in the presence of and under the immediate control of an Excise Officer and everything should be locked with revenue or abkari locks, the keys of which would be in the possession of the Excise Officer. The accounts of all spirits on which the duty has not been paid should also be kept by the Excise Officer and orders as to wastages and excess passed by the Chief Revenue authority alone.

The cost of such an establishment would amount to Rs. 648 per annum as detailed in paragraph 60 *infra*, and would have the effect of saving at least Rs. 4,000 per annum.

Toddy.

19. The toddy revenue is managed entirely by the Darbar and the system has practically undergone no change since the year 1862. The revenue has been farmed by districts or taluks, the monopoly including manufacture and vend, out of which however the lessee has to make good the toddy revenue due to the holders of "jodi," "sarvamanyam" and "kayamgutta" lands, whether he exercises the rights of such inamdars or not.

So far as the Civil and Military Station is concerned for the current year, the revenue has been leased for two taluks, including the Station, and in proportion to the consumption the net revenue is apportioned. I do not think that the Darbar benefits by this arrangement to the disadvantage of the Civil and Military Station, but it is certain that the Station does not derive anything like the revenue that should be realised from this source. The incidence of taxation on toddy amounts to 3 annas 10 pies per head in Bangalore while in Madras it is 13 annas 8 pies and in the Districts of Anantapur and Bellary adjoining Mysore it is 7 annas 6 pies. Again, although the incidence on beer, which to a great extent takes the place of toddy, amounts to 9 annas 3 pies in Bangalore yet in Madras there is an incidence of 6 annas and 8 annas in the Nilgiris.

20. Under the present system the contractor is compelled to maintain a depot, which, together with the shops, have all to be kept by paid servants, and he has the responsibility of both depot and shops. An expensive staff is employed in order to maintain accurate statistics of consumption and the necessary restrictions to enable the preventive staff to do its work properly still further hamper the contractor and lessen his profits.

Improvement in administration simplified if T. T. is introduced to Mysore.

21. If the tree tax system is introduced during the next year matters will be considerably simplified, as the shops in the Station can be sold separately under the management of the Collector and the trees required can be marked in Mysore territory, the tax being paid into the Resident's Treasury, under the agreement that I understand was recently arrived at between the Darbar and the Madras Government. Experience in the T. T. system shows that on its introduction the rentals fall to about two thirds of the sum realised under the renting system and this would give Rs. 12,246 to which must be added the tree tax Rs. 7,000 in round numbers, making a total of Rs. 19,246. At present however no charge is made by the Darbar for the use of trees standing on waste or Government, land but assuming that a charge of 2 annas per tree

was made the sum given above would be reduced by Rs. 875. This would bring the revenue to about the same as it was last year with the difference however that its management would be entirely in the hands of the Resident, and it would be under what is generally accepted as the best system, one that allows for improvement, while under the existing system no real advance can be made.

*1896—97 ... Rs. 18,369.

Introduction of T. T. for ensuing year doubtful.

It appears to be extremely doubtful whether the tree tax system will actually be introduced during the current year. The renting areas are large and the present system of long duration, to separate the privilege of manufacture from that of vend, to go from the renting of taluk areas to independent shops, and to introduce the tree tax system simultaneously, is such a complete and sudden change in administration that few who thoroughly understood the detail would care to bear the responsibility, even if they had a well trained staff. If the Darbar does introduce the system, it would not be practical for the Station to hold back, but whatever happens there is nothing to prevent severance from Darbar's supervising establishment.

Proposed system in Civil and Military Station.

22. The first step would be to separate the privilege of manufacture and supply from that of vend. The shops in the Station might be sold as one farm, and the supply of toddy, from an area to be obtained from the Darbar, given on contract for one year only. The tender to be accepted for this contract might be the one which gave the lowest sum as the maximum rate at which the tenderer would supply a given quantity of toddy daily, more or less according to requirements. It would be left to the successful tenderer to pay the Darbar the rent agreed upon for the use of the date reserve. Minor details as to the age and specific gravity of the toddy would ensure a more wholesome supply than at present exists. For the following year the shop might be sold separately and experience would by then show whether the supply of toddy might be left to private enterprise or not.

Impossible to formulate details until system to be adopted in Mysore is determined.

As matters now stand it is impossible to formulate any detailed proposals, and until it is known what system the Darbar will adopt it is equally impossible to frame any correct estimate of the revenue. The share of charges now incurred amounts to Rs. 541 per annum, but by withdrawing from the agreement the proportionate charge of a supervising staff working under the Collector, to be debited to toddy, amounts to Rs. 280.

4% calculated an proportion of toddy revenue to gross revenue.

Beer.

23. In the year 1888 the subject of improving the quality of the locally brewed beer was taken up and samples were sent for analysis which showed that with one exception the liquor was poor in extract, contained a high percentage of acid and alcohol, far more of the latter than could be obtained by fermentation from the wort, showing that alcohol had been subsequently added to increase the intoxicating properties. One sample contained as much as 9·5% (equivalent to 80° U P liquor) absolute alcohol by volume.

No improvement in quality effected.

The breweries were inspected by the Residency Surgeon and a conference of the brewers with the Collector and Superintendant of Police was held, which resulted in the Collector and Police Superintendant endorsing the brewers deprecation that they should be compelled to brew a high class beer and recommending that the standard to be adopted should be the Nilgiri tavern ale. (Serial 31 file 164 of 88) but nothing appears to have been done to see that this standard was ever obtained or maintained. No steps were taken to obtain analyses of samples taken from the breweries and taverns simultaneously although such a proceeding would have shown where the adulteration with alcohol took place. The fact that alcohol had been added to the beer opens a field for speculation as to where the alcohol for this purpose was obtained from, but that is a subject to be discussed elsewhere. I append a statement showing the analyses of some of the Nilgiri beer taken recently and the analysis of the samples taken in July last and of the samples taken and analysed by myself.

The Castle Brewery is under European management and supervision, but the Rose and Crown is a native concern.

10

It will be observed that in the Castle Brewery beer the highest centage of acid is ·09 and of alcohol by volume 7·79. A comparative statement is appended.

	Highest centage of.		Lowest specific gravity	
	Acid.	Alcohol.	Beer.	Extract.
Castle Brewery	·091	7·79	1004·35	1014·4
Rose and Crown	·142	6·62	1001·35	1010·0
Bangalore 88	·280	9·5	995·4	1006·2
„ 97	·326	12·5	992·0	1006·0
„ 98	·224	9·0	1000·0	1009·0

Still adulterated with alcohol.

The Bangalore beer did not approach the Nilgiri beer in 88 and since then it deteriorated and points more than ever to adulteration with alcohol.

Breweries without supervision.

The breweries still remain entirely and absolutely without check, although accounts are prescribed under the license, none are maintained and although the limit of alcohol is fixed at 8% it is not stated whether by weight or volume even many of the samples show 10% by weight.

So called beer only sweetened spirit and water.

24. I have visited all the breweries, they are in a fair state of cleanliness, which is necessary to prevent the brewers from sustaining loss, as nothing more readily causes wort to turn "ropy" than uncleanliness, but except in one brewery the process of manufacturing the so called beer cannot be called brewing. The beer is nothing but a highly sweetened decoction of rather strong spirit and water containing a large quantity of acid. Malt when used is merely for giving the yeast something to work on, and the quantity of hops per hogshead is infinitessimal, not sufficient to give the beer any tonic properties or to keep it for any length of time. In only one brewery is a refrigerator is use, the wort being left in the others to cool gradually and thus absorb all the poisonous germs about the place. In two breweries there are no racking backs but the beer is racked off direct from the fermenting tuns. One brewery uses a yeast filter and one a strainer but the other two have nothing for removing the remaining yeast or the albumen precipitated during fermentation.

One gallon of beer equivalent to eleven drams of spirit.

25. As stated above the beer is nothing but sweetened spirit and water and although it may not be absolutely unwholesome it constitutes a great danger to the revenue if the manufacture is left uncontrolled. A gallon of beer containing 10 to 12% alcohol can be purchased for 9 annas. This centage of alcohol is equivalent to spirit and water of about 80° U. P. and a gallon of beer thus contains nearly 11 drams of 20° U. P. arrack costing Rs. 1—6—0 at the present retail price, so that a man who drinks a pint of beer costing him 9 pies gets as much alcohol as he can purchase for 2 annas 9 pies.

100 gallons beer at 10% = 10 gallons alcohol.
= 17 gallons proof.
= 21 „ of 20° U. P.
Therefore 1 gallon beer = ·21 „ of 20° U. P.
= 10·7 drams of 20° U. P.

Definition of beer.

26. Beer is understood to be an alcoholic and saccharine beverage prepared from malt and hops. The alcohol is obtained by converting the starch in the malt, first into sugar and then into alcohol, but at the same time the compound contains a large proportion of nitrogenous substance which combined with the bitter principle and tannic acid of the hops forms a wholesome and invigorating beverage, of which large quantities may be imbibed without detriment to health. In an old treatise on beer written in 1610 it is stated "he that in his young days accustometh himself to drink beer shall never when he is old have occasion to repent, for beerish drink keeps the stomach clear, excites the appetite and carries off ill humours, whereas fat new sweet ale (too often none of the clearest) dulls the appetite, creates clam in the viscera, and lodges too long."

Beer taxed as a beverage.

27. Beer is taxed as a beverage and not as an intoxicant, the speeches in parliament when a revision of the excise duty is made, show in what regard it is held in England and the principle on which it is taxed. If beer is to be taxed as a beverage care must be taken that a beverage only is produced and not a mere intoxicant. The beer now manufactured is nothing but an intoxicant more or less unwholesome and if its manufacture is to be allowed it should be taxed as such.

28. It would be better to first briefly describe the process of brewing as it is followed in England.

Process of brewery in England and Nilgiris.

The malt having been crushed it is placed in the "mash tun" and then "sparged" with hot water of about 170 Fah: which breaks up the starch and convers it into dextrine and sugar without coagulation. The dextrine forms the extract and the sugar is subsequently converted into alcohol. The hot liquid passing through the crushed malt or "goods" carries away the dextrine and sugar in solution together with other soluble matter to the extent of 60% of the malt leaving the residue in the shape of "grains." The wort is then run into an "underback" and pumped into the "copper" where it is boiled with the hops. This boiling extracts all the volatile oil, bitter principle and tannic acid from the hops, concentrates the wort and coagulates the albuminous substances thus preventing the immediate acidification which would otherwise set in. The extract from the hops neutralises the sweetness and the tannic acid separates the albuminous matter and forms an insoluble compound which is either thrown off in fermentation or is precipitated in the "racking back." This albumen if left in solution would speedily cause acidification. It is thus evident that a certain proportion of hops is necessary. The wort, or as it is now called the "bitter wort" having been sufficiently boiled is then run off into a large shallow vessel called a "cooler" and when the temperature is somewhat reduced it is passed over a refrigerator into the fermenting tuns at a temperature of about 70 Fah: It is necessary for the beer to be cooled as rapidly as possible in order to prevent it from obsorbing poisonous germs to which it shows great partiality. Fermentation *i. e.*, superficial, the only description possible in this climate, takes place most favorably at a temperature of 65 Fah: but as the fermentation proceeds the temperature rises and it as necessary to use an "attemperator" for the purpose of keeping the temperoture at the most suitable level. When fermentation is almost complete the liquor, now become "beer," is run off into the racking back where the quantity is gauged and after settling it is racked off into casks. The process of cleansing *i. é.*, working off the yeast should be completed in the casks, the loss in bulk being made good from time to time. The beer is ready for issue in a month or so. Usually however recourse is had to a yeast filter or "finings" to hasten clarification.

Process in Chelvaraya Mudeliars and Abraham & Co. breweries.

29. In Chelvaraya Mudeliar's brewery the procedure above described is said to be invariably followed, a very small quantity of malt and hops is used however and the yeast filter has been out of work for same time. In Messrs Abraham & Co's. brewery the quantity of malt is still less and there is no refrigerator.

Gungadara Chettys brewery.

30. In Gungadara Chetty's brewery there is no mash tun, copper for boiling wort, no refrigerator or racking back. No malt is used, a solution of sugar and malt extract is boiled up, to this is added a weak decoction of hops and the mixture run off into a cooler and then to the fermenting vat where it is racked off in twenty days time for issue. The smell of this beer is most offensive.

Mr. Smiths brewery.

31. In Mr. Smith's brewery the solutions of malt, sugar and hops are prepared separately and run together into the fermenting vat from whence the liquor as racked off after fermentation.

There is nothing to prevent the brewers from practically distilling alcohol and issuing beer up to any strength say 15 or 20%. The only check that exists is on the quantity issued and this check is unnecessarily harassing.

Necessity for fixing a standard.

32. It appears necessary in the first place that a standard should be fixed containing a minimum of malt and hops and a maximum of sugar. This will be done by calling a meeting of the brewers and taking their suggestions into consideration. It would be a great mistake to fix upon such a high standard as to extinguish the local industry but at the same time the revenue will suffer more and more heavily every year unless beer is placed out of competition with arrack. The consumption of arrack has fallen from 1,01,950 gallons to 81,856 gallons while that of beer has risen from 3,46,596 to 4,78,944. Taking the proportion of alcohol in beer at 10% the consumption of absolute alcohol has risen from 82,636 gallons to 86.415 *i. e.*, 3,779 gallons equivalent to 8,030 gallons in terms of 20% U. P. This excess consumption has paid a duty of 4 annas 9 pies per gallon against Rs. 4—12—0 paid on spirit. Thus although the duty has been raised and the consumption of country spirits shows a decrease of 19,094 gallons of 20° U. P., yet the consumption has actually risen to 1,83,632 gallons of which quantity 28,122 gallons has paid only 4 annas 9 pies per gallon duty instead of Rs. 4-12-0 representing a loss of Rs. 1,25,231.

1896—97.		Alcohol.
1,01,950 gals. of 20° U. P.	=	47,976·4
3,46,596 gals. of beer 10%	=	34,659·6
Total.....		82,636·
1,75,602 in 20° U. P.		

1897—98.		
81,856 gals. of 20° U. P.	=	38,520·4
4,78,944 gals. of beer @ 10%	=	47,894·4
Total.....		86,414·8
1,83,632 in 20° U. P.		

Consumption of alcohol in shape of beer.

1896	3,46,596	
1897	4,78,944	
		Alcohol.
	+ 1,32,348	= 13,234·8
		= 28,122 gallons in terms of 20° U. P.

Loss of revenue from not controlling the breweries.

If the increased consumption had been in the shape of honest beer there might be some point for congratulation but it has been by the consumption of a larger quantity of weak spirits in the place of strong spirits.

Beer may contain 8% alcohol provided it is proportionately high in extract.

33. There is no reason why beer should not contain as much as 8% alcohol by volume provided that it is proportionately high in extract so that it would be a sustaining invigorating beverage and not a mere stimulant. Either a better quality of beer should be insisted upon or duty collected on the proportion of alcohol. The former appears to be the sounder system and draft rules and forms for bringing this into effect are now under preparation.

Supervising establishment necessary.

34. It is however of no use to impose rules and restrictions unless there is the establishment to see them carried into effect and adhered to. No special supervising staff as recommended by the Collector is necessary. Such an establishment would be quite superfluous and probably lead to abuses.

All that is wanted is on officer with a moderate knowledge of the subject to make frequent and irregular inspections of the breweries, which inspection would comprise a strict check of the brew then taking place, a periodical stock taking on which the highest revenue authority only should pass orders as to wastage, and a periodical analysis of the beer. With proper accounts efficiently checked and examined no other supervision is necessary. The cost of such an establishment amounts to Rs. 698 being 10% of the total cost of the excise establishment proposed.

Foreign Liquor.

35. The sale of "foreign liquor" is controlled by four different kinds of licenses which are issued on payment of fees varying from Rs. 12 to Rs. 50.

Shop license.

The shop license, which is a retail sale license for the issue of liquor not to be consumed on the premises, permits the sale of all kinds of foreign spirituous and fermented liquors" except Batavia or Colombo arrack or "any spirituous or fermented liquors manufactured in the Mysore country or in the provinces subject to the Presidency of Fort St. George except doubled distilled spirit up to 20° U. P. and over proof manufactured in the distillery at Bangalore"

This practically excludes all liquor except that imported into British India and the "double distilled liquor" from the Darbar's distillery, but I have seen liquor on sale in the shops the labels of which appear familiar to me and which if not actually manufactured in India, was bottled in India.

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Opening license.

36. A subsidiary license, called an opening license, is issued to holders of the "shop" license, to permit of bottles being opened and sampled on the premises.

Hotel License.

37. The Hotel license is practically a bar or tavern license and permits the sale of foreign liquor, with the exceptions detailed above, to practically any person for consumption on the premises only. There is practically no difference between this form of license and the "refreshment room" license.

It is generally understood that licenses are issued to hotels as a matter of convenience only, for the benefit of guests and that the sale of liquor therein should be to guests only. As the license now stands the hotels can compete with the refreshment rooms.

Refreshment rooms

38. The refreshment room license permits the sale of foreign liquor, with the exceptions above detailed, for consumption on the premises only, and it is in the continuation of this class of license, and system of its issue, and the want of control, that the greatest danger to the revenue exists.

Necessity for taxing foreign liquor as highly as arrack.

39. The most noticeable feature about the enhanced taxation of arrack has been the enormous increase in the consumption of the locally manufactured so called beer which has risen from 3,46,596 gallons in 1896 to 4,78,944 gallons in 1897.

I have shown under paragraph 32 that owing to the want of proper rules and supervision the actual consumption of alcohol has increased by 3,779 gallons while there has been a loss of Rs. 1,25,231 in revenue.

Proposals are submitted for bringing the breweries under proper control and stopping this large leak or flaw in the administration, but as soon as it is remedied on this point it will break out in another *viz.*, the administration of the foreign liquor taxation, for as soon as the brewers are stopped from unfair competition with arrack the foreign liquor vendors will step in and divert the revenue to his pocket in a larger proportion than the brewers have accomplished.

Foreign liquor taxed less than arrack.

40. The present rate of duty on arrack is Rs 5—15—0 per gallon of proof or Rs. 4—12—0 per gallon of 20° U. P., and to this has to be added the cost price and taxation collected in the shape of shop rents and fees amounting to another Rs. 1—8—0 so that the total cost to the shop keeper amounts to Rs. 6—4—0. Foreign liquor, which pays a duty of Rs. 6 per gallon proof or Rs. 4—12—9 per gallon of 20° U. P. can be procured in the Madras Presidency at 12 annas per gallon and landed in Bangalore at Rs. 5—10—0 per gallon including duty, cost price, and charges, and can be retailed well under Rs. 6 per gallon, as it pays nothing in the shape of shop rents beyond a fee of Rs. 50 per annum.

The accounts maintained in foreign liquor taverns, or, as they are called, refreshment rooms, are so obviously incorrect that no reliance can be placed upon them or on statistics collected therefrom. It can only be conjectured that some of the trade of the arrack shops has found its way to these taverns, the bulk having undoubtedly gone to the beer shops.

Decrease in consumption of locally made foreign liquor in favor of imported liquor.

41. The issues from the Bangalore Distillery, of locally made foreign liquor which is taxed at the same rate as country spirits, shows a great fall, from 418 gallons to 160 in terms of 20° U. P. Rectified spirits show an increase in issues from 365 gallons to 402 gallons, but this is a point for discussion elsewhere. The locally made foreign liquor although taxed the same as country liquor is supposed to be placed beyond competition by arbitrarily fixing a high cost price and bottling charge bringing the total to about Rs. 7 per gallon of 20° U. P. The public can therefore get their liquor much cheaper and probably as good from Madras: the figures of consumption show that they have done so and when it is fully realised that country made brandy, gin, whisky or rum can be purchased cheaper than arrack and that the beer will not, as at present, so readily produce intoxication, there will be a rush for the taverns or refreshment rooms and a heavy loss of revenue resulting. There has already been a very heavy loss on account of the beer but when this is stopped it will take place in the direction of foreign liquor unless the matter is taken in hand at once.

It is an old experience that has been gone through in town after town in Madras; as the taxation of arrack increased it was found necessary to enhance the taxation on foreign liquor to prevent unfair competition, with the result that in the large towns from 20 to 30% of the revenue on spirituous liquors is derived from taxation on foreign liquor. The arrack revenue for the Station for this year may be estimated at 4½ lakhs and 20% of this is Rs. 90,000. I do not say that by taxing foreign liquor this sum will be gained in addition to the present revenue but there is every likelihood of there being a difference of this amount depending upon whether the trade in foreign liquor is taxed or not.

Definition of foreign liquor.

42. I would recommend therefore that no time should be lost in changing the system of disposing of the licenses either by calling for tenders or by putting the shops up to public auction.

The first point to decide is the definition of foreign liquor. The matter has received considerable discussion and a reference has been made to the Government of India. The general lines for guidance were that spirit made by indigenous native processes was taxed lower than spirit made by European methods which was again taxed lower than imported spirit. These distinctions have not only ceased to exist but have become reversed, for in Bangalore country spirit is taxed at Rs. 7 per gallon of proof while foreign imported liquor is taxed at Rs. 6 per gallon. The transport of foreign liquor in British India is without control, once it has paid the customs duty it can be sent anywhere, and in Madras locally made liquor colored and flavored to resemble the imported liquor is excised and treated the same as imported foreign liquor and there is practically nothing to prevent this liquor from being sold in Bangalore under the refreshment room or hotel license and competing in a very practical manner with the arrack shops.

At present there is no definition of either country or foreign liquor, the words being taken to have their popular meaning, but in Madras, country distilled liquor, colored and flavored to resemble brandy, gin, &c., is considered and treated as foreign liquor.

It is necessary that the distinction should be as clear and as unartificial as possible so as to admit of no doubt or misunderstanding, the one great safeguard, *viz.*, large difference in the rate of the duty has been removed, so now nothing remains but to either ignore the nominal distinction altogether and allow an arrack shop to be a tavern for the sale of spirituous liquor as defined in clause 9, Section 3 of the Excise Act, raising the duty on arrack to the full tariff rate (making absolutely no distinction between arrack, brandy, whisky, &c.,) or to draw the same line of difference as exists in Madras, and, if necessary, explaining the distinction by a special Notification under the concluding paragraph of Section 3.

If country liquor is defined as liquor on which duty in not leviable at full tariff rate it will then be impossible to further enhance the duty on arrack. If, as in Bombay, it is defined as spirit manufactured in India there are no means of prohibiting the Madras foreign liquor from being sold as imported liquor. Arrack is converted into brandy, whisky, rum &c., by the addition of a little "essence" and coloring matter. These essences may not be injurious to health but they do not improve the liquor, they add a little to the "bite" and foreign liquor is preferred by some on this account. The full evil of the competition of foreign liquor with country liquor has not yet been felt in Bangalore as it has been restrained by the competition of beer.

Distinction between foreign liquor and country liquor is artificial.

43. I had nearly two years experience of it in Ootacamund, where the competition was very keen, and I found that the distinction was practically nominal, only and that the foreign liquor taverns were practically arrack shops although there was six annas difference in the rate of duty. The arrack shop keeper has several restrictions as to strength and measures, but the tavern keeper may sell at any strength and with what measures he likes, and it so happened that foreign liquor was sold cheaper than arrack, although the tavern was similarly sold by auction and the duty was six annas per gallon more. It is obvious how this evil would be enhanced in Bangalore where there is only one anna difference in the duty, and a nominal fee only on the retail sale of foreign liquor.

Establishment of taverns.

44. The simplest solution of the question is to adopt the Madras definition for the ensuing year, and until the present arrack contract expires, and then simultaneously with the Darbar put the still head duty up to the full tariff rate and amalgamate the arrack shops and refreshment rooms, calling them taverns and providing for supply by the indroduction of the private supply system. The popular definition of a tavern is a place for the sale of liquor to be consumed on the premises. Beer taverns can be kept separate.

There was an idea that a better class of the drinking public frequented the refreshment rooms, and although this is to some extent true, the distinction is soon lost in the competition that results as soon as foreign liquor is no more expensive than country liquor, and the better class then resort to the retail shops and consume their liquor at home.

Only liquor manufactured in the country available for consumption on the premises.

45. Under the system suggested above, only liquor manufactured in the country would be available for sale and consumption on the premises, while the better description of liquor would be under retail sale, not to be consumed on the premises. A "jug and bottle" department of such shops might be opened to enable the public to get small quantities of good imported liquor for consumption in their own homes.

Control of sale of liquor not to be consumed on premises.

46. The next point for consideration is the control of the sale of foreign liquor not to be consumed on the premises. There are at present two forms of such licenses the one for the wholesale or retail sale of Nilgiri beer and the other for wholesale and retail sale of foreign spirits and fermented liquor except liquor manufactured in Batavia, Colombo or the Madras Presidency.

The latter license restricts sale to foreign liquor in the strict and popular sense of the word, but, as I have already explained, the difference between real foreign liquor and the Madras foreign liquor is artificial and there are no means of preventing the sale of the latter description of liquor under this license. In my visits to the shops I have seen liquor on sale that has every appearance of having been made and bottled in Madras. It appears also to be an impolitic procedure to prohibit the sale of country made "foreign liquors" as it is a direct encouragement to the cheap German potatoe spirit, which is just as raw and wanting in wholesomeness as the country made liquor.

The wholesale and retail license for the sale of Nilgiri beer might be abolished and the consumers left to obtain beer from the taverns or from the retail shops.

If the quality of the beer on sale in the taverns is improved this will be no hardship and matters will be considerably simplified. In the Notification for the sale of beer taverns, provision is made for permiting the Nilgiri brewers to compete, and supply the taverns with beer brewed either in the Nilgiris or in breweries that may be established in Bangalore.

Retail sale of foreign liquor.

47. The retail sale of foreign liquor may be controlled by the issue of two different forms of license, the wholesale and the retail. No taxation on the sale beyond a license fee is necessary.

Until the present arrack contract expires, it may be presumed for the purpose of these proposals that the definition of foreign liquor is the same as that obtaining in Madras *viz.*, all wines, beer and spirits imported into British India from foreign countries, either by sea or land, all colored and flavored spirits manufactured in British India and excised at tariff rate of duty, except plain rectified spirits either imported or manufactured in British India. This definition excludes Nilgiri beer but high class Nilgiri or locally manufactured beer bottled or on draught might be allowed, due care being taken that such beer could not compete with the taverns.

"Wholesale" licences.

48. The wholesale licenses should provide for the sale of liquor in quantities of not less than two imperial gallons in one transaction. No consumption on the premises to be allowed except with an opening or sampling license.

"Retail" licenses.

The retail license should provide for the sale of liquor in quantities of not less than one reputed pint. All liquor to be in bottles labelled and capsuled unless a jug and bottle license is also obtained. No consumption whatever on the premises to be allowed.

Grant of licenses at discretion of Resident.

The grant of these licenses should be at the discretion of the Resident and should be issued to *bona fide* retail dealers only and not to any person who would be likely to convert the shop into a tavern. There would of course be no objection to a licensed tavern keeper also holding a retail license.

The opening or sampling license should be granted to *bona fide* vendors only, such as the large firms of purveyors. The jug and bottle license should also be issued only to approved and *bona fide* retail vendors and in such localities where a demand for sale under these conditions is known to exist.

Class of license.

49. The licenses are at present divided into classes and the fee levied accordingly. This system might continue with advantage, but the highest class might be raised from Rs. 50 to Rs. 100 and the lowest placed at Rs. 50. This would probably cause a considerable reduction in the existing number of shops, a very desirable consumation. The sampling, and jug and bottle license fees might be fixed at Rs. 25 in addition to the fees paid for the shop.

Hotel licenses.

50. The Hotel licenses have next to be considered. Under the present conditions the hotels are at liberty to sell any description of liquor, except arrack, Batavia or Colombo arrack and liquor manufactured in the Madras Presidency, in either retail or wholesale quantities to be consumed on or off the premises. There is practically no difference between this license and that for the "shops" and refreshment rooms.

It appears only just that the sale of liquor in hotels should be confined to the guests or boarders and unless a "bar" license is also granted, in order to place the establishment out of competition with the taverns, no sales should be permitted except with meals or at the minimum prescribed for retail shops.

Hotel licenses might be divided into two classes, 1st and 2nd, the proprietor being left to nominate the class under which he desires his hotel to be registered.

I have not been in a position to prosecute the enquiries necessary to determine whether the hotels are resorted to as taverns or not. If it is found necessary "bar" licenses might also be issued. The fee for a first class hotel might be fixed at Rs. 100 and for a second class hotel at Rs. 50.

Sale of rectified spirit.

51. The next subject that requires carefull consideration is the desirability of placing restrictions on the sale of pure rectified spirit. I have already drawn attention to the fact that the issue of this class of spirit from the Darbars distillery, shows a considerable increase especially when it is taken into consideration that other classes of "double distilled" spirits show a great falling off. It is generally undersood that pure rectified spirit is used only for medicinal and scientific purposes but it is not a difficult or expensive matter to convert it into potable liquor. There is reason to believe that in some chemists shops such dangerous stimulants as coca wine are being manufactured and sold locally.

Locally manufactured coca wine.

The use of coca is liable to become a vice but its high cost places it beyond the means of the general public, but it has come to my notice that some chemists have by means of a little rectified spirit and coca succeeded in manufacturing a potable and highly stimulating intoxicant which can be retailed at the low price of Rs. 1—4—0 per bottle or Rs. 7—8—0 per gallon as cheap if not cheaper than many brands of whisky and far more injurious to health. Although there is not any great danger to the revenue it appears to be necessary to control the sale of stimulants by chemists, a step that had already been found necessary in Madras and I would recommend that it should be introduced in Bangaloro.

As a general rule the possession of rectified spirits by chemists might be prohibited and permission granted only to approved applicants on payment of a nominal fee.

In the case of such firms to whom it is essential that they should have a supply, the maximum quantity might be fixed by the Collector and sale restricted to *bona fide* medical, industrial, and scientific purposes.

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Establishment for supervising shops.

52. At present there is no establishment for the supervision of wholesale and retail shops and refreshment rooms. The proportionate share of the proposed establishment amounts to Rs. 280.

Experience in the executive of Excise required.

53. Excise administration abounds in technicalities and it is absolutely essential in order to make it thoroughly efficient that the officer in charge should possess a complete mastery of detail which can be obtained only by constant application such as a Collector is not in a position to give.

The revenue authority requires an Assistant with experience and possessing a moderate knowledge of practical distillery and brewery work whose powers as an executive officer might be very limited but who would act as professional adviser in much the same way as a District Forest Officer in the Madras Presidency and whose remunerations would be sufficient to secure a man with 10 years service, of good social position, and unquestionably above the numerous temptations towards increasing his income to which an excise officer is ever subjected.

54. In the Civil and Military Station the work of supervising depots, shops and breweries could be properly carried out by a Superintendant of Excise and one Assistant with a few peons, not to be called excise officers.

Nature work to be done.

These officers would be executive and their work would be restricted to inspections of depots, shops and breweries, including the checks of the accounts maintained but their own clerical work would be reduced to a minimum. Such work as the issue of licenses, maintenance of statistics, and the preparation of drafts on excise matters might with advantage be delegated to the Superintendant, who would also be responsible for the prompt collection of rents or the suspension of licenses in default.

For such work the pay proposed, *viz.*, Rs. 350 per mensem would be sufficient, but an officer in such a position would be entirely without supervision and it is not safe to trust to the conflict of opposing interests for the prevention or exposure of irregularities.

No comparison can be drawn between the status of an Inspector in Madras Presidency and the Superintendant of Excise in Bangalore.

In the Madras Presidency, an Inspector is immediately subordinate to an Assistant Commissioner who visits the Circle twice or more in the course of the year, besides reviewing and checking every day's work. The Assistant Commissioner is again subordinate to the Deputy Commissioner who is constantly on tour. Weeky, monthly and quarterly statements of work done, are legion, so no comparision between the duties of an Inspector and his pay in the Madras Presidency can be made with the duties and emoluments of an officer in the position of Superintendant of excise in Bangalore.

55. There are doubtless plenty of officers on the Madras list who would be glad to accept the post, but they would not be of the class required. It would be of no use to obtain the services of an officer for a smaller period than two years, but no officer drawing Rs. 300 per mensem in Madras would care to accept the same pay or even Rs. 350 when taking into consideration the great enhancement in the cost of living in Bangalore as compared with the mofussil stations in the Madras Presidency. Some of the older Inspectors who have small prospect of promotion to the grade of Assistant Commissioner might possibly accept the post, but they would hardly meet the requirements, while younger men with good prospects in their own service would not care to get out of touch for such a time unless sufficiently remunerated, but it is an officer of this class that is required. A younger or junior officer would not have the necessary experience.

Proposed salary of Superintendant and Sub-Inspector.

56. A local allowance of *Rs. 100 should be made and a house rent allowance of Rs. 50 so that an officer drawing Rs. 350 per mensem in his own department would receive Rs. 500 in Bangalore, the increase in his emoluments being Rs. 150 out of which he would, actually realise very little after making due allowances for the increased cost of living, loss of free quarters and travelling allowance. It would be incumbent on him to keep a suitable horse. The Sub-Inspector might receive Rs. 40 per mensem and might be obtained from the Madras Salt, Abkari and Customs Department.

*Rs. 75 personal.
,, 25 horse allowance.

As a rule Inspectors in Madras receive free quarters.

Post of Superintendant and Amildar to be subsequently combined.

As soon as the existing rules have been revised, and the charge in system of supervision fully carried into effect, it would probably be found that the Superintendant of excise might also take up the duties of Amildar, as suggested in paragraph 17 of the Resident's letter No. 180 Camp, dated 9th May 1897, provided that an additional Sub-Inspector was appointed; but for the present provision is made for one Sub-Inspector only, exclusive of the depot establishment.

Cost of proposed establishment.

57. The total cost of the establishment proposed is detailed below :—

One Superintendant's pay...	Rs. 350 per mensem ...	Rs. 4,200 per annum
Local and house rent	... „ 125	... „ 1,500
Horse allowance	... „ 25	... „ 300
One Sub-Inspector	... „ 40	... „ 480
6 peons on Rs. 7	... „ 42	... „ 504
Total Rs.....	582	6,984

Cost establishment debited to each head of excise in the proportion that the revenue under that head bears to gross revenue.

This sum is debited against the different heads of excise revenue in proportion that each branch bears to the gross revenue. It is necessary to do this for purpose of comparison with the present cost of supervision which extends to arrack and toddy only :—

	Rs.		
Gross Excise Revenue for 1896—97 ...	5,69,552		
			Rs.
Arrack	4,71,610	82%	5,726
Toddy	24,840	4%	280
Beer	58,532	10%	698
Foreign liquor and ganja	14,570	4%	280
		Total Rs.....	6,984

Placed as low as possible.

While placing the proposed establishment as low as possible, I do not think that it will be found insufficient. It would of course be possible to still further reduce the cost by providing for two Sub-Inspectors and placing them under an Assistant Inspector but if this were done the Inspector would require a superior supervising officer. Excise, properly administered in a large town should be almost automatic, nothing is more dangerous to the revenue and to public morals than a large establishment of low paid Excise Officers.

Department establishment required.

Not only is the cost of the proposed establishment smaller than the existing charges but it would undoubtedly be more efficient. In addition to the above, however, a further expense of Rs. 44 per mensem would have to be incurred for the next four years in order to provide for a supervising establishment for the depot. For this propose, one Sub-Inspector on Rs. 30 and two peons, each on Rs. 7 would be sufficient.

Memorandum incomplete in detail.

58. The above memorandum although lengthy is by no means complete in detail as far as possible I have investigated the system of supervision and methods of accounts but until quite recently I have had no *locus standi* in the place and have thus had no practical experience of the working of the system. Objections have been raised by shop-keepers when I have attempted to enter the shops and although every courtesy has been extended to me by the Durbar's Officers, it has been very different to dealing with ones own subordinate.

59. To sum up therefore the following proposals are made :—

Summary arrack.

1st to place the Civil and Military Station under the contract supply system until the present manufacturing contract expires and then to introduce the private supply system.

This to be done by (a) renewing the contract with the manufacturers on different terms, but equally advantageous to both parties, and cancelling the contract with the transport contractor. (b) renewing the manufacturing and transport contract on different terms but also equally advantageous to all parties: either arrangement resulting in a saving of Rs. 2,558 per annum.

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2nd. Placing the depot under the immediate and close supervision of an excise officer whereby, with an annual expenditure of Rs. 528, a loss of not less than Rs. 4,000 per annum will be redeemed.

3rd. Making the duty on arrack payable direct into the Resident's Treasury prior to obtaining issues from the depot.

4th. Removing the fixed retail price and placing a minimum price only.

5th. On the expiry of the present manufacturing contract to place the Station under the private supply system and if a bonded depot is required, the cost of supervision to be borne by the merchant, whereby the charges Rs. 528 will be saved to Government.

Toddy.

1st. To constitute the Civil and Military Station as a separate farm and to separate the privelege of manufacture from that of vend, the shops to be sold for the first year as a farm and afterwards independently. Supply to be provided for by giving, on contract, the privilege to the lowest tender for the maximum wholesale price.

2nd. If justified by experience to subsequently leave supply to private enterprise.

3rd. To withdraw entirely from the share of the Darbar's supervising establishment effecting a saving of Rs. 541 per annum.

Beer.

1st. To formulate rules for the grant of licenses and the supervision of breweries; fixing a minimum of malt and hops and a maximum of sugar and alcohol.

2nd. To organise an establishment for the supervision of breweries, check of accounts, ascertainment of wastage, and analysis of the beer. Such an establishment to cost Rs. 698 per annum against nil as at present but the saving in revenue to be effected by the introduction of rules and the establishment to enforce them being about one lakh of rupees.

1st. To define foreign liquor and to place the same restriction on its sale for consumption on the premises as exist for arrack.

Foreign Liquor.

2nd. To revise the licenses, and enhance the fees on wholesale and retail sale of foreign liquor, not to be consumed on the premises.

3rd. To restrict the sale of liquor in hotels to guests or boarders and the consumption to the premises.

4th. To permit the sale of rectified spirits by licensed chemists only.

The subject of taxing ganja is at present under discussion.

Savings effected.

60. The savings to be effected are as follows :—

Cost of distillery and supervising establishment for arrack	Rs.	7,000	Proposed.	Rs. 5,726
Toddy		531	„	280
Transport charges		2,558	Beer	698
			Foreign liquor	280
			Depot	528
	Total Rs.....	10,089		7,512

A saving of Rs. 3,577, to which must be added not less than Rs. 4,000 now lost in the depot and about Rs. 1,00.000 lost in the shape of untaxed alcohol in the beer so that the above proposals outline an increase of one lakh, in round numbers, in the excise revenue.

The proposed expenditure of Rs. 7,512 can be met from the budget estimate for the ensuing year which contains provision for an expenditure of Rs. 11,100.

B. HAWKINS.

3 20

Bangalore

12th August 1898.

C R 97

My dear Dewan,

I am desired to ask for the favour of a reply to Colonel Robertson's D/O of the 24th May last, with which he sent you a Memo by Mr.Hawkins on the Excise Administration in the Civil and Military Station, and asked for an expression of your views thereon informally.

Yours sincerely

K. S. Erskine

Sir K.Sheshadri Iyer K.C.S.I

Dewan of Mysore.

Arrack - - -

The Essential features of the present Excise System are

1st The manufacture is a Govt monopoly. This monopoly is given to an approved firm or person, who enters into a Contract with the Govt, for a term of years, to manufacture, at a Govt Distillery and under Govt Supervision, the whole of the Arrack required for Consumption in the Province and to sell the Same at a fixed price per Gallon: ~~the profits of the manufacturer~~ ~~is~~ ~~and the~~. The Contract is disposed by Competition by means of tenders to the approved firm or person who offers ~~the lowest to manufacture~~ ~~sells at~~ the lowest rate of price -

The difference between this fixed price and the actual Cost of Manufacture & represents the profits of the Manufacturer

The rate of price during the present Contract which will expire on 30 June 1902 is 63½ annas per Gallon 20°UP.

2d The Arrack manufactured by the Contractor ~~is transported to & stored in Ware~~ is transported to, & stored at, ~~was~~ various places within Convenient Reach of the Retail Vendors -

The privilege of Selling to the public

3d ~~The Retail Vend is given to R disposed of by Competition,~~ to the persons who offer the largest

~~(Retail Vend~~ (Retail Vend) ~~by~~ at the various places is disposed ~~of also~~ of by Competition and given to

price for the ~~same~~ privilege

5th ~~The~~ The Retail Vendor ~~has~~ ~~to pays to Govt a fixed duty upon~~

5th ~~The~~ Retail Vendor pays to the Govt. ~~upon every gallon Remains~~ ~~he obtains for Sale~~, the fixed duty per Gallon & to manufacturer the fixed price per Gallon - He sells to the public at a fixed price per Gallon. The difference between

4th The Retail Vendor pays to Govt. (in addn to the above price for the privilege of Retail Vend) a prescribed ~~fixed~~ duty per Gallon - The present prescribed rate of duty is Rs. 4 & 12 annas per Gallon or 20° U.P equivalent to Rs 5.15 - per Gallon duty

6th The Retail Vendor must sell to the public at a prescribed price ~~per~~ The present prescribed retail ~~Gallon~~. price is ~~Rs 6 per gallon~~ Rs 6.6 per Gallon 20° U.P equivalent to 2 annas per Imperial ~~Measure~~ of $\frac{1}{5}$th of a Gallon.

7th The Retail Vendor's profit ~~Consists of~~ is the difference between the price for which he sells (clause 5) and the ~~aggregate of price he pays~~ payments he makes, as price to the manufacturer ~~and the~~ (clause 1), the price to Govt for the privilege of ~~for which he pays the~~ Retail Vend (cl. 4) and as duty to Govt (cl. 4)

8th The Govt Revenue is from duty (cl. 4)

and price for which the
privilege of Retail Vend
is sold (Cl. 3).

derived
from the Revenue as above, the Govt
has to meet the cost of
transport to Wholesale Depots
transport, (Cl. 2).

II — The ~~Excise System of~~ Madras
System for which so much excellence
is claimed differs from the
Mysore System in the following main
particulars

1st The manufacture is left
to private enterprise — The
manufacturer fixes his
own price, subject to a
maximum limit
in Pondicherry. Who obtain
licenses from
the Govt.

2d The distribution is effected by
Wholesale Depot
licensees of the Govt.

3d The Retail Vend is disposed
of generally as in Mysore, but the
Retail price is not fixed
as in Mysore. The Vendor is free
to sell at any price he
chooses subject to a prescribed
minimum

III Comparing the two systems together

is the better one

I think the Myers System ~~is~~ in many ways – The

~~Chief~~ Chief reasons for this opinion are the following:

1st – Free private manufacture (of liquor) is not desirable ~~as in this case~~ The ordinary law of Supply & demand cannot be relied upon, ~~in the particular case~~, ~~as the Consumer~~ (in this particular Case, ~~where the State by its Specie laws prohibits~~ ~~So long as we~~ ~~the Specie laws prohibit or the Specie laws~~ ~~to prohibits unlicensed~~ distillation and Sale, ~~this law has no~~ ~~and there is no restriction~~ ~~place upon the liberty~~ ~~of the Consumer~~ deprive the Consumer ~~of the liberty~~ The Specie law requires that the liquor shall be manufactured by ~~licensed~~ specially licensed persons and that it shall be sold only at specially appointed

The Specie Law prohibits ~~the~~ unlicensed distillation & unlicensed Sale. ~~This restriction~~ it by deprives the Consumer ~~of the~~ of liquor, of the liberty which Consumers of other articles enjoy, ~~& which which is the reason basis of the~~ ~~where~~ the Consumer has ~~liberty of choice is~~ perfect liberty of choice is Where the Consumer has not perfect liberty of Choice, he is more or less at the mercy of the Supplier ~~Consumer~~, And ~~so long as the law~~ Where, as in this Case, ~~the law deprives~~ the law has ~~deprived him of the liberty~~, taken away the Consumers liberty

it is the duty of the State to provide special safeguards for his protection — The State requires him to pay a tax upon what he drinks and the State should assume that all

This duty is the greater in the case of liquor, because the ordinary Consumer who resorts to the Retail shops as in the Scheme of Control is not a judge of quality has not the skill to enable him a judge of and does not possess to judge of quality or goods easily, but will get the drink drink stimulation he wants if he has the opportunity to buy it without having to judge of quality or price — I refer to these elementary rather elementary Considerations, because experience has shown that private under the private Supply System free Competition has been unable to secure the supply of liquor of the proper qualities — The theoretical excellence of

Supplied — The theoretical excellence of the liquor for retail trade

What it has been found, exists to-day.

Whereas it has been found has almost shown a tendency to the inevitable tendency to the supply of Efficiency, the Retail Market is taking before the many cheap liquor of inferior impurious quality — Free Competition has the effect of tending to lower prices but not to improve quality in a Case of this kind we see this result even as regards Europe manufactured liquor imported into this Country — It is well known that in recent years

Cheap

The trade in imported Europe liquor of the Vilest quality is steadily increasing

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A wide field of Competition is the ~~main~~ special ground upon which ~~theoretical grounds which the advocates of the Efficiency of Private Supply system is based upon the trade~~

~~the~~ so much excellence is claimed for the Private Supply system, ~~But in practice even this~~ but in practice even this is found to be wanting, for as a matter of fact the actual supply is secured in the bulk ~~not~~ by a large number of small manufacturers but by a very few large Capitalists who generally succeed in getting into their own hands, the Retail trade also - Thus the system of free private Supply, establishes a far wider & more exclusive monopoly than the system of Monopoly manufacture.

I find that in Madras under the Private Supply system the manufactured price is fixed at ~~10~~ 10½ Annas per Gallon 30° U.P. Free Competition has not succeeded in making the actual price as low as it is with us ~~Here~~ under our present Contract.

Our system of Manufacture by a Govt Contractor ~~provides~~, provides for proper Supervision ~~of the various processes~~ at every stage of the process of manufacture.

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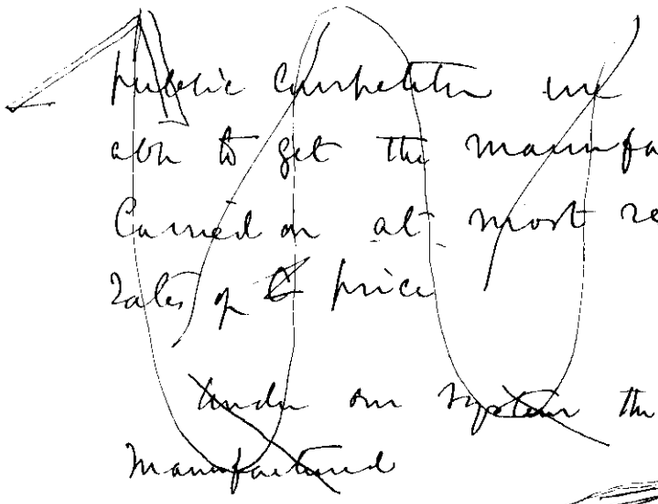
4).

The selection of ~~pottery~~ raw materials
~~and the proper proportion~~, the
mixing of them in proper proportions,
The use of Distilled water, the
Elimination of faints, the
Elimination of injurious
products &c. ~~are all~~
~~possible under an system~~
~~And we see them all~~
special attention
&c. secure Greater attention under
an System, ~~The attention~~
~~which~~ has and the
result is ~~the product~~
a purer & more wholesome
article than ~~that~~ the
the average article produced
under the Private Supply
System.

~~Comp~~
Superior Confectionery
~~to~~ for the
As regards the
~~Increase~~ by means of



Under our System the ~~Cost of the~~ price of manufactured liquor

~~From~~ the manufacturing cost of liquor the results under

As regards ~~price~~ our System Compares very favorably with those attained under the Modern System. This is an important consideration ~~as~~ from ~~the Govt Revenue~~ a fiscal point of view, for the Govt Rev is always the difference between what the Consumer pays and what the manufacturer gets as price, ~~Subject to Study if this deduction on account of the Arrangements for Retail Sale~~, and therefore the smaller lower the manufacturing cost the larger should be the Govt Rev.

Competition under our System is confined to a small number of necessary ~~among~~ the larger Capitalists, but we have always found such Competition quite sufficient to secure a very moderate ~~reasonable~~ ~~price~~ rate of price. I dont

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think ~~under the Private Supply System~~ there wd in practice be a larger number of Competitors ~~of that~~ under the Private Supply System than we adopt it, nor wd the Cost of Manufacture be reduced except by Sacrifice of Quality ~~but have some reference~~ 2dly of Manufacture by distant individuals under the Said Distillery System

Cegnes

2dly The transport by Govt. of the Manufactured liquor from the Govt Distillery at Barcelona to Various Ware houses or Wholesale Depots in different parts of the Provinces is no essential feature of any System. It is merely an arrangement of Convenience & it is I believe in my Opinion the cheapest method of distribution for the Provinces as a whole / ~~that Could be provided~~ under existing Conditions, -

we used to give to one

Prior to 1892 the same Contractor held both the Manufacture & the Wholesale Vends. In 1892 we separated the two ~~with the object for which~~ & the reasons for this separation were ~~at the time fully~~ explained in my memo of 17th Dec 1891 from which I make the following extract for ~~Government~~ records reference –

(Quote passage marked in the accompanying)

~~The anticipation~~

~~In the matter of distribution the Chief~~

~~The arrangements~~

for the Stations & City of Bangalore which are so near the Distillery, the System of distribution may well be different from what is found necessary for the Province generally – required.

The transport by Govt of the Supply

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to various warehouses ~~is not an essential part of the system intended to abolish an intermediary~~ is intended to dispense with ~~the intermediary~~ the Wholesale Depôt licensee. ~~It does~~ It is undesirable to allow any handling of the liquor by ~~any class of persons~~ an intermediary between the Distillery & the Retail Shop. ~~And~~ If the Retail Vendor is to obtain his supply direct from the Distillery, (~~the~~ ^ as is already done in the Bangalore & Mysore districts & Salem)

3 — ~~the present Scale~~

The present rate of duty is Rs 4-12-0 per gallon 20° U P equivalent to Rs. 5-15-0 per London Proof gallon. The rate under the Tariff Act is Rs 6 per gallon London Proof ~~The rate~~ and we have not this identical rate merely because we want to avoid an inconvenient fraction in the calculation of the duty for gallon 20° U P — Our rate ~~duty is as~~ is quite as high as we can well make it — In Madras ~~not~~ the rates of duty for country liquor are much lower ~~than the marginal figures for~~ in the neighbouring Districts.

(Liquor Vendor ~~to~~ the Retail Vendor would draw otherwise and a smaller price for the privilege of Retail Vend for ~~the~~ he has also to bear the Cost of Carriage for the Distillery —)

(In places where under the Private Stills system is in force, the rate per mile is Rs. 4-6-0 per gallon Proof, The exception being in the Madras Town the Municipalities of Madura & Negapatam, where the rate is higher (i.e. Rs 5 per gallon Proof) —

(& the manufacture Cost under it low.

It is the Monopoly system which has enabled us to impose the high Rate of duty of Rs 5: 15. per Gallon

Proof. I cannot ascertain the experiments of making it that

4th - I think the fixing of the actual Retail price must be fixed.

and it Liberty to the Retail Vendor to sell at any price he chooses above a prescribed minimum is undesirable - The Consumer requires the protection of a fixed rate -

I admit an Retail price may be higher than Rs 6.6.0 per Gallon. It was fixed before we knew the manufacture price under the present Contract, wh. be so low as Annas per Gallon 20° U.P.

At the retail price of Rs 6.6.0 per Gallon it (i.e. Annas 2 per Imperial dram) is high and already a high Rate and I doubt the wisdom of making it higher. It gives the Vendor a very handsome margin of profit as shown in the Memo below

R. A

Duty	5. 12. 0	
Manufacture Cost	6 3/4	Per Gal. 20 U.P.
Retail price	5. 2 3/4 0	
	6. 6. 0	
Profit	[illegible]	

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~~6~~ 7)

If the Min. Board it is rather
~~It is~~ doubtful whether ~~by making~~
~~the retail price higher~~ than Rs. 6-6-0
The Rev. from disposal of the Retail Vend
will be increased to the ~~Entire~~ ~~increase~~
Centre extent if ~~any~~ ~~future~~ increase in
price higher than Rs. 6-6-0 as retail

to a rate

I also doubt whether a higher price
is realized anywhere in Madras - The
fact is that 7 annas per ~~for~~ dram
is for all practical purposes a
Maximum Rate which 7-
Cannot safely be exceeded -

collectable

IV Conclusion – After very careful consideration I am of opinion that any alteration of the present system on the lines of the Private Supply system of Madras will lead to loss of Revenue and would be undesirable on other grounds – ~~if necessary~~ A change in the Transport arrangement may of course be tried; if it will be unattended with an indirect loss of Revenue larger than the present Direct charge on Revenue on Gallonage & liability to a Share of Distillery Supervision charges is a legitimate charge upon every supply drawn from the Distillery. These charges are trifling compared with the benefits ~~derived from such~~ which the Revenue derives from the a Supply of this kind.

This acct

As regards Beer there is large scope for improvement in every direction

The Sale of foreign liquor requires to be restricted in the interests of the Local Excise Revenue. The Durbar within their jurisdiction attempt such restriction by confining the Sale at the foreign liquor Shops to ~~only~~ a few specified well known Brands ~~of~~ in use among the higher classes.

Bangalore
16th Sep 98

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MEMORANDUM.

ARRACK.

I. The essential features of the present Mysore System are :—

1st.—The manufacture is a Government monopoly. This monopoly is given to an approved firm or person who enters into a contract with the Government, for a term of years, to manufacture, at a Government Distillery and under Government supervision, the whole of the arrack required for consumption in the Province and to sell the same at a fixed price per gallon. The difference between this fixed price and the actual cost of manufacture represents the profits of the manufacturer. The contract is disposed of by competition by means of tenders to the approved firm or person who offers the lowest rate of price. The rate of price during the present contract, which will expire on 30th June 1902, is $6\frac{1}{3}$ annas per gallon 20° under-proof.

2nd.—The arrack manufactured by the contractor is transported by a Government Agent to, and stored at, various places within convenient reach of Retail Vendors.

3rd.—The privilege of selling to the public (Retail Vend) at the various places is disposed of by competition and given to the persons who offer the largest price for the privilege.

4th.—The Retail Vendors pay to Government (in addition to the above price for the privilege of Retail Vend) a prescribed duty per gallon. The present prescribed rate of duty is Rs. 4-12-0 per gallon 20° under-proof, equivalent to Rs. 5-15-0 per gallon proof.

5th.—The Retail Vendor must sell to the public at a prescribed price. The present prescribed retail price is Rs. 6-6-0 per gallon 20° under-proof, equivalent to 2 annas per Mysore dram of $\frac{1}{51}$st part of a gallon.

6th.—The Retail Vendor's profit is the difference between the price for which he sells (Clause 5) and the payments he makes as price to the manufacturer (Clause 1), as price to Government for the privilege of Retail Vend (Clause 3) and as duty to Government (Clause 4).

7th.—The Government Revenue is from duty (Clause 4) and price for which the privilege of Retail Vend is sold (Clause 3).

8th.—From the Revenue derived as above, the Government has to meet the cost of transport to Wholesale Depôts (Clause 2).

II. The Madras System for which so much excellence is claimed differs from the Mysore System in the following main particulars :—

1st.—The manufacture is left to private enterprize. The manufacturer fixes his own price subject to a maximum.

2nd.—The distribution is effected by private agency, *i. e.*, by persons who obtain Wholesale Depôt licenses, etc., and not by the Government.

3*rd*.—The Retail Vend is disposed of generally as in Mysore, but the retail price is not fixed as in Mysore. The Vendor can sell at any price he chooses, subject to a prescribed minimum.

III. Comparing the two systems together, I think the Mysore System is the better one in every way. My chief reasons for this opinion are the following:—

1*st*.—Free private manufacture of liquor is not desirable. The ordinary law of supply and demand cannot be relied upon in this particular case. The Excise Law prohibits unlicensed distillation and unlicensed sale, and by such prohibition deprives the consumer of liquor of the liberty which consumers of other articles enjoy. Where the consumer has not perfect liberty of choice, he is more or less at the mercy of the supplier, and where, as in this case, the law has taken away the consumer's liberty, it is the duty of the State to provide special safeguards for his protection. This duty is all the greater in the case of liquor, because the ordinary consumer who resorts to the retail shops has no self-control and will always buy his drink at the nearest place without pausing to judge of quality or price. I refer to these rather elementary considerations, because experience has shown that the Private Supply System, wherever it has been tried, has almost always shown a tendency to supply the retail market with cheap liquor of inferior injurious quality. Free competition may be trusted to lower prices but not to improve quality in a case of this kind. We see this result even as regards Europe manufactured liquor imported to this country. The trade in cheap imported Europe liquor of the vilest quality is steadily increasing. A wide field of competition is the special ground upon which so much excellence is claimed for the Private Supply System, but in practice even this is found to be wanting; for, as a matter of fact, the actual supply is secured in the end not by a large number of small manufacturers but by a very few large capitalists who generally succeed in gathering into their own hands the retail trade also. Thus the system of free private supply establishes a far wider and more exclusive monopoly than the system of monopoly manufacture. I find that in Madras under the Private Supply System the maximum manufacture price is fixed at $10\frac{1}{2}$ annas per gallon 30° under-proof. Free competition has not yet succeeded and is not likely to succeed in making the actual average price as low as it is with us under our present contract.

Our system of manufacture by a Government contractor moreover provides for proper supervision at every stage of the process of manufacture. The selection of suitable raw materials, the mixing of them in the proper proportion, the use of distilled water, the exclusion of faints, the elimination of injurious products, &c., all receive special attention under our system, and the result is a purer and more wholesome article than the average article produced under the Private Supply System.

As regards the manufacture cost of liquor, the results under our system compare very favourably with those attained under the Madras System as already observed. This is an important consideration from a fiscal point of view, for the Government

Revenue is always the difference between what the consumer pays and what the manufacturer gets as price, subject to sundry trifling deductions on account of the arrangements for retail vend, and therefore the smaller the manufacture cost the larger should be the Government Revenue. Competition under our system is necessarily confined to a small number of the larger capitalists, but we have always found such competition quite efficient to secure a very moderate rate of price. I don't think there would in practice be a larger number of competitors under the Private Supply System, should we adopt it, nor would the cost of manufacture be reduced below our present rate except by sacrifice of quality. Very probably the cost would be greater.

2*nd*.—The transport by Government agency of the manufactured liquor from the Government Distillery at Bangalore to Warehouses or Wholesale Depôts in different parts of the Province is no essential feature of our system. It is merely an arrangement of convenience, and it is, in my opinion, the cheapest method of distribution possible for the Province as a whole, under existing conditions. Before 1892 we used to give one contractor both the manufacture and the Wholesale Vend. In 1892 we separated the two, and the reasons for this separation were explained in my Memo of 19th December 1891, from which I make the following extract for ready reference:—

* * * *

"Manufacure and distribution are things essentially different in their nature, and the capital and resources and technical knowledge required for the one are very different from the local knowledge, etc., required for the other. The blending of these two into one contract necessarily takes away from the value of the contract. Persons or firms from outside the Province who will gladly undertake the work of ***manufacture*** to the advantage of the Excise Revenue may not, at the same time, be prepared to offer equally advantageous proposals when the work of distribution, which involves much local knowledge and some local influence, is blended with it. If the two were separated, the manufacturer, with his large resources and new appliances, would offer the most favorable rates for manufacturing and delivering arrack *at the Distillery*."

"It seems further to be best to have only a manufacturer and a seller (that is, Retail Vendor) without an intermediary in the shape of a Wholesale Vendor."

* * * *

"The scheme above described commends itself for adoption for many reasons. It secures the manufacture of arrack at the least possible price, by bringing into competition large capitalists both in and out of the Province, possessing special technical knowledge of the business, while, on the other hand, it places the work of distribution and sale to the public in the hands of a number of other persons possessing special local knowledge and influence, who, in their own interests, will see that in their respective tracts no illicit distillation takes place."

* * * *

For the Station and City of Bangalore, which are so near the Distillery, the system of distribution may well be different from what is found necessary for the Province generally. The transport by Government of the required supply to various Warehouses is intended to dispense with the Wholesale Depôt license. It is undesirable to allow any handling of the liquor by an intermediary between the Distillery and the Retail Shops. If the Retail Vendor is to obtain his supply direct from the Distillery (as is already actually done in the Bangalore District outside the City and Station), the Retail Vendor would offer only a smaller price for the privilege of Retail Vend, for he has also to bear the cost of carriage from the Distillery, so that the whole question is, which method would be really cheaper.

3rd.—Our present rate of duty is Rs. 4-12-0 per gallon 20° under-proof, equivalent to Rs. 5-15-0 per gallon London-proof. The rate under the Tariff Act is Rs. 6 per gallon London-proof. We have not adopted this identical rate, but the nearest approximation to it, merely because we wish to avoid an inconvenient fraction in the calculation of the duty per gallon 20° under-proof. Our rate is quite as high as we can well make it. In Madras the rates of duty for country liquors are much lower. In places where the Private Supply System is in force, the rate, as a rule, is Rs. 4-6-0 per gallon proof, the exception being in Madras Town, the Nilgiris and Malabar Wynaad, where the rate is higher, (*i.e.*, Rs. 5-10-0 per gallon proof). It is the monopoly system, and the low manufacture cost under it, which has enabled us to impose the high rate o Rs. 5-15-0 per gallon proof. I cannot ascertain that the experiment of making it quite so high has yet been tried anywhere in Madras.

4th.—I think the actual retail price should be fixed. Liberty to the Retail Vendor to sell at any price he chooses above a prescribed minimum is undesirable. The consumer requires the protection of a fixed rate. A retail price of Rs. 6-6-0 per gallon, (*i.e.*, annas 2 per Mysore dram) is already a high rate and I doubt the wisdom of making it higher. It gives the Vendor a very handsome margin of profit as shown below :—

		Rs.	a.	p.	
Duty	... ...	4	12	0	Per gallon 20° under-proof.
Manufacture Cost	... ...	0	6	4	
	Total ...	5	2	4	
Retail Price	... ...	6	6	0	
	Difference ...	1	3	8	

On the other hand, it is rather doubtful whether the Revenue from the disposal of the Retail Vend would be benefited to the entire extent of any increase of retail price to a rate higher than Rs. 6-6-0. I also doubt whether a higher price is actually realized anywhere in Madras. The fact is that 2 annas per dram is, for all practical purposes, a maximum rate which cannot *safely* be exceeded.

IV. *Conclusion.*—After very careful consideration, I am of opinion that any alteration of the present Arrack System, on the lines of the Private Supply System of Madras, will lead to loss of Revenue and would be undesirable on other

grounds. A change in the transport arrangement may of course be tried, if it would be unattended with an indirect loss of Revenue larger than the present direct charge on Revenue, on this account. I think liability to a share of Distillery Supervision charges is a legitimate charge upon every supply drawn from the Distillery. These charges are trifling compared with the benefits which the Revenue derives from a supply of this kind.

As regards Beer, there is a large scope for improvement in every direction.

The sale of foreign liquor requires to be restricted in the interests of the local Excise Revenue. The Durbar, within their jurisdiction, attempt such restriction by confining the sale at the foreign liquor shops to a few specified well-known Brands in use among the higher classes.

K. SHESHADRI IYER,
Dewan.

BANGALORE,
18*th September* 1898.